



ISSUES OF IMPROVING THE CALCULATION OF INCOME TAX BENEFITS BASED ON FOREIGN EXPERIENCE AND REFORMS CARRIED OUT IN UZBEKISTAN

Professor., Usmanova Mukhlisa Sagdullayevna,

Tashkent Institute of Finance, TIF,

E-mail: muhlisa.usmanova@mail.ru

Article history:

Received: August 11th 2023

Accepted: September 11th 2023

Published: October 16th 2023

Abstract:

The article discusses issues of improving the calculation of income tax benefits based on foreign experience and reforms carried out in Uzbekistan.

Keywords: Tax credits, tax credit, tax holidays, loans to the budget for income tax, tax credits for targeted use, temporary tax credits.

INTRODUCTION. In the experience of the countries of the world, one of the important functions of taxes is their incentive function. The principle of guaranteeing tax payments from the point of view of the interests of both the state and the taxpayer lies at the basis of the performance of this function by taxes. The incentive function of taxes is clearly manifested in the tax benefits given to taxpayers by the state. The main purpose of granting tax incentives by the state is to support entrepreneurship in the society, to continuously replenish the budget through taxes on the basis of ensuring its continuous development, thereby continuously solving the issues of financing the development of social and economic sectors. In the taxation experience of the countries of the world, the tax benefits given to enterprises in terms of profit tax are very diverse.

The following are recognized as their most common types in the literature¹:

- 1) *complete tax exemption;*
- 2) *granting a tax holiday;*
- 3) *tax credit;*
- 4) *reduction of the taxable base;*
- 5) *reducing the tax rate;*
- 6) *deductions from the tax base.*

These tax benefits given to the taxpayers of the profit tax in the countries of the world are similar to each other on the one hand, and different from each other on the other hand, in terms of their goals, terms,

calculation procedures and other aspects. In the experience of the countries of the world, the most widely used type of benefits given to enterprises in terms of profit tax is to allow accelerated depreciation and tax exemption of expenses related to it, as well as discounts given to depletion (depletion) of minerals, reduction of taxable profit in the extractive industry. In developed countries, these tax incentives serve different purposes. For example, in the Netherlands, it is applied to more environmentally efficient developments, techniques and technologies that consume less energy and water. Deductions for the depletion (depletion) of mineral resources are mainly aimed at the development of the mining industry. In France, the deduction from the taxable profits of oil, natural gas and solid metals mining companies is intended to ensure that they establish a special reserve fund.

The most important types of benefits given to enterprises by the state in terms of profit tax are full or temporary exemption from taxes, or tax holidays. Full tax exemption means that the profits received by enterprises are not taxed at all. Exemption from tax for a certain period or tax holiday means that the profit of the enterprise is not taxed for a certain period according to the state tax legislation. Other types of benefits given by the state to enterprises in terms of profit tax also have their specific content and essence.

¹ Yahyoev Q. Theory and practice of taxation. T.: "Gafur Ghulam", 2000.; Abdurakhmanov H. The use of tax incentives in world practice // Economic Bulletin of Uzbekistan. No. 3, 2002 Page 58.



For example, the reduction of the taxable base usually means not including some income received by the enterprise in this base and deducting some expenses incurred from it. Reduction of the tax rate usually means a certain reduction of the profit tax rate set by the state in the amounts and procedures established by the state tax legislation.

In the experience of the countries of the world, in the 80s of the last century, instead of high rates, the system of reduced tax benefits with a reduced tax rate began to be implemented, the "theory of supply" developed by the American economist A. Leffer was the motivation. In the hypothetical curve proposed by Leffer, reducing the tax rate would allow maintaining the budget balance and even increasing tax revenues. Lower tax rates create conditions for savings and investment, stimulate the increase of national product and income, and this, in turn, leads to an increase in the income of the budget, even in the conditions of reduced tax rates, as a result of the increase of the tax base. In our country, it is possible to classify the benefits given to enterprises in terms of profit tax according to different signs.

For example, according to the basis on which they are presented, they are divided into two types:

(1) Benefits granted in accordance with the Tax Code and other laws;

(2) Privileges granted pursuant to Presidential Decrees.

The tax benefits provided in accordance with the Tax Code, in turn, are divided into the following types:

- * full tax exemption (Article 158);
- * reduction of taxable profit (Article 159).

Benefits given by the state in terms of profit tax impose specific tasks on accounting. The main ones are:

- ensure correct calculation of each type of benefits granted according to the state tax legislation;
- to ensure that real information about benefits given on profit tax is reflected in accounts and reports;
- to ensure that real information about the fact that the benefits given for the profit tax are used for their purposes are reflected in the accounts and reports;
- to carry out constant control over the effective use of the benefits granted by the profit tax.

The solution of these and other important tasks directly depends on the systematic formulation of information on benefits on profit tax in accounts and

reports. The procedure for reflecting profit tax benefits in accounts and reports provided for by the tax legislation of our republic is defined by the regulation on the procedure for formalizing and accounting for benefits granted to legal entities for paying taxes, customs and mandatory payments to the budget.

According to this regulation, all profit tax benefits are taken into account, divided into the following two groups:

1. Privileges granted on the condition of referral to perform targeted tasks.

2. Privileges granted without reference to the performance of targeted tasks.

Benefits granted under the condition of referral for the performance of targeted duties on profit tax are carried in the account of profit tax expenses in the amount of profit tax calculated on the basis of a special calculation during the reporting period, i.e.: Debit 9810 "Expenses on profit tax" Credit 6410 "Debts to the budget on profit tax". The income tax expense reflected by this entry is included in the "Statement of Financial Results" and the net profit of the enterprise is reduced by this amount. At the same time, the debt to the budget is reduced by the amount of profit tax left at the discretion of the enterprise, and the following entry is entered into it: Debit 6410 "Debts to the budget for profit tax". Credit 8840 "Targeted tax credits". Benefits granted under the condition of referral for the performance of targeted duties on profit tax are reflected in the account 8840 "Tax benefits for targeted use", if they are provided for a certain period, until the end of this period, and after the end of this period, they are taken to the reserve capital of the enterprise. If such a period is not clearly defined, then the amount of tax credit used for the purpose of profit tax is transferred to the reserve capital at the end of each year. The transfer of the tax credits for the purposeful use to the reserve capital is reflected in the account as follows: Debit 8840 "Tax benefits for the purposeful use". Credit 8530 "Property obtained without interest".

In accordance with the above-mentioned regulation, the procedure for issuing the following records of the use of the benefits on the profit tax for the purpose used for specific purposes during the reporting period is established:

1. To use tax benefits in settlement with suppliers (contractors) and various creditors:

Debit 8840 "Tax credits for targeted use".



Credit 6010 "Accounts payable to suppliers and contractors".

Credit 6990 "Other payables".

2. The use of tax incentives to encourage work:

Debit 8840 "Tax credits for targeted use".

Credit 6710 "Payroll calculations with employees".

Credit 6520 "Payments to state trust funds".

As can be seen from the procedure explained above, the tax benefits given for the performance of targeted tasks do not lead to an increase in the net profit distributed among the founders (investors) of the enterprise. Such benefits are used for targeted financing of works that serve the general development of both the state and the enterprise.

Benefits that are not intended for profit tax differ from the benefits of the first group in the following respects.

First, their amount calculated on the basis of a special calculation is not included in the company's profit tax expenses and, accordingly, is not included in the "Report on Financial Results".

Secondly, the amount of profit tax left at the discretion of the enterprise as a profit tax benefit found on the basis of a special calculation increases the net profit distributed among the founders (investors) of the enterprise. Therefore, both the enterprise itself and its founders (investors) will benefit financially from this tax benefit.

Thirdly, profit tax benefits that have not been designated for purpose use are not reflected in the balance sheet of the enterprise as assets, private equity and liabilities.

Fourthly, the calculation of the benefits granted without provision of direction for the performance of targeted tasks is reflected on the basis of unilateral entries in account 013 "Temporary tax benefits" in addition to the special balance sheet in order to carry out accounting control over them.

In this case, the tax credits provided before the grace period are accumulated in the debit of this off-balance account, and after the grace period ends, the total amount of the tax grace collected is reflected in its credit, and thus this account is closed. In our opinion, the above-briefed procedures for profit tax benefits and their accounting need to be improved in some respects. In our opinion, first of all, it is necessary to review the recognition of benefits as targeted and non-targeted

benefits. Because, in general, no privilege can be without purpose. In fact, in the above-mentioned regulation, "privileges given without provision of direction for the performance of targeted tasks" are, according to their original content, state aid to support business activities and those who conduct them. The fact that they are not included in the expenses of the profit tax and do not lead to the reduction of the net profit distributed among the founders (investors), respectively, leads to negative situations, such as serving the personal interests of a certain group of individuals, rather than the interests of the state aid. Therefore, in our opinion, it is appropriate to establish the procedure for receiving "benefits given without providing direction for the performance of targeted tasks" in the same way as "benefits given with the condition of directing for the performance of targeted tasks" in the balance sheet of the enterprise.

To do this, cancel the account 013 "Temporary tax benefits" in addition to the current balance, respectively, to maintain their systematic accounting, provide for a special account 8850 "Tax benefits granted without provision of allocation for the performance of targeted tasks" in the system 8800 "Accounts intended for the account of targeted receipts" should be kept. The establishment of this procedure does not lead to discrimination of the private interests of investors who have invested their money for the development of entrepreneurship. Because the amount of the tax credit left to them by the state, on the one hand, allows investors to achieve the main goal of entrepreneurship development and profit without investing additional funds, and on the other hand, the tax credit left at the discretion of the enterprise will ultimately increase the private capital of the founders (investors) in this enterprise, making it possible gives The order given in the regulations regarding the debiting of the account 8840 "Targeted tax credits" for the used part of the benefits granted under the condition of redirection for the performance of targeted duties on profit tax cannot be said to be logically correct. Generally, these benefits are not granted to businesses to cover certain expenses or to pay liabilities. Most of them are given for the purpose of improving and modernizing the material and technical base of business entities, purchasing new equipment and technologies, and material reserves necessary for the development of production. However, the current methodological procedures established in



the 21st BHMS do not allow to directly reflect the use of tax credits for these purposes. For example, capital investments spent in return for targeted tax benefits are initially collected in 0800 "Capital investment accounts" and after the receipt of fixed assets and intangible assets are transferred to accounts 0100 "Fixed assets" and 0400 "Intangible assets", respectively. It can be seen that these records do not reflect the part of the benefits granted under the condition of directing for the purposeful tasks of the profit tax, used for the purchase of equipment and technologies, modernization of the existing facilities at all.

In short, it is necessary to prohibit the procedure of compensation of current obligations and expenses (damages) in return for targeted tax benefits on the basis of legislation, respectively, to cancel the procedures established in the above-mentioned regulation for reflecting these expenses in the debit of account 8840 "Targeted tax incentives". Targeted tax benefits must be credited to this account and, after the end of the grace period, be reflected as a balance in this account and as targeted income in the balance sheet and statement of equity, respectively. This procedure allows the enterprise to receive information about the number of targeted tax benefits provided by the state in a systematic manner from the general ledger and financial reporting forms for reporting periods.

The used portion of targeted tax credits is usually reflected in the assets received in exchange for these credits, such as fixed assets, intangible assets, and working capital. In order to systematically account for the tax credits used for these purposes, in our opinion, special accounts should be included in the 21st BHMS. For example, for the systematic calculation of targeted tax credits used for the purchase of new equipment and technologies, construction works and reconstruction, expansion, modernization, current and capital repairs of existing facilities, a special account 0870 "Investments made at the expense of targeted tax credits" is added to the system of accounts 0800 "Capital investments" we consider it appropriate to enter.

In order to keep track of targeted tax credits used for the purchase of goods, in the current system 1500 "Accounts accounting for the preparation and purchase of materials", a special account 1520 "Materials purchased at the expense of targeted tax credits" should be provided. The debit of these

recommended accounts should reflect the direct targeting of tax credits to specific goals, and their credit should reflect the assets (fixed assets, intangible assets, materials and purchase costs included in their cost) that are actually included in the balance sheet of the enterprise in exchange for these targeted tax credits. We believe that the implementation of targeted tax benefits in the order recommended above will greatly facilitate the continuous control over them both by the management of the enterprise and by the employees of the tax authority.

LIST OF USED LITERATURE:

1. Tax Code of the Republic of Uzbekistan.
2. Smith A. Issledovanie o prirode i prichinax richatka narodov. - M.: Sotsekgiz, 1962.
3. Brummerhoff D. Theory gosudarstvennyx finansov / Per. sedmogo nemetskogo izdaniya / Pod obshchey ed. Kudrina A.L., Dzgoeva V.D. – Vladikavkaz: Pioner-press, 2001.
4. 21st BHMS "Economic entities financial economic activity accounting plan of accounts and instructions on its application". Registered by the Ministry of Justice of the Republic of Uzbekistan on October 23, 2002, No. 1181 (with subsequent amendments).
5. Regulation on the procedure for formalization and accounting of benefits granted to legal entities for paying taxes, customs and mandatory payments to the budget. Own.R. Approved by the Ministry of Finance. 24.02.2005 #29, registered by the Ministry of Justice on April 2, 2005 with number 1463.
6. Q. Yahyoev Theory and practice of taxation. T.: "Gafur Ghulam", 2000. H. Abdurahmanov Application of tax incentives in world practice // Economic newsletter of Uzbekistan. No. 3, 2002 Page 58.
7. H. Abdurahmanov. Application of tax credits in world practice. Economic newsletter of Uzbekistan. No. 3, 2002 Page 58. 5. ziyonet.uz.